

Division of Marketing  
Agricultural Development and Diversification (ADD) Program  
1995 Grant Final Report

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**Grant Title** Direct Marketing Center for Wisconsin Cheese Processors

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***Ambassador Select Cheese* llc**

Direct Market Center for Area Processors

Final Report

March 2, 1996

### Original Intent/Purpose

The original purpose and mission of Ambassador Select Cheese llc/The Direct Marketing Center was to develop and provide alternative direct distribution methods for Wisconsin Cheese Processors. The objective was to provide processors with a profitable method of reaching customers directly..enabling them a better margin on their products.

Linked to the mission of developing a direct marketing center was the goal of sharing and interpreting market information generated through the sales and promotions of the direct market center.

The driving motivation was to provide increased profits to processors enabling them to grow, change and flourish..in turn providing a healthy infrastructure for Wisconsin Dairy Farmers .

## **Achievements**

### **Market Development.**

As the project was focussed on market development, this was the most immediate achievement. Under the term Market Development one must consider new markets established and penetrated plus the unique market situation that was established (grouping a variety of processors together)

While initial mailings and advertising were done on a national basis, it became clear that certain geographic locations were more profitable and receptive to purchasing cheese through mail order. Advertising response centered out of the Northeast and Southwestern locations. Later mailings and promotions were targeted appropriately.

Approximately 23.5 % of all orders originated out of the East Coast. (NY, NJ, MA, PA, CT). 14% came from California and Texas. Florida accounted for 7 % of the orders. Thus 44.5% of the customers came from these targeted areas. A combination of quality cheese availability and consumer demographics helps explain this trend. For example, many of our customers from the "warmer" climates were retirees from the Midwest. They had grown up on quality Wisconsin Cheese and were eager to find a convenient source.

While many of the Cheese Processors are direct marketing their products through Farmers Markets in Illinois/Chicago Area, Madison and Minnesota, none had focussed direct marketing efforts on these more distant regions. As anticipated, Ambassador Select Cheese llc, did *not* compete with their efforts but complimented and expanded their markets.

A key benefit that Ambassador Select Cheese offered to our customers, was the variety of cheese products from a variety of processors..available from one source. In short, the Processors Cheese products have *more* appeal when grouped with other Processors than they do in a 'stand alone' situation. Without exception, customers would order from a variety of processors and select of variety of cheese types.

Thus, what is a key benefit to our customers, is also a key and unique benefit to our processors.....placing them in a positive direct marketing effort with their peers.

### **Capital Investment/ Jobs**

While one goal is to provide processors with profits that they can in turn use to help hire additional personnel or buy new equipment/update facilities..this can not realistically be expected until the Direct Marketing Center is more established and the volume of business grows accordingly.

**Product Expansion**

With the personal contact inherent in the sales situation, Ambassador Select Cheese is able to guide and question customers about their cheese preferences. In one situation a processor had a new flavored Cheddar - (Garlic/Herb Cheddar by Brunkow) - that they had experimented with in Farmers Markets. Ambassador Select Cheese featured their cheese through coupon effort and phone cross-sell methods. By measuring sales levels and customer reaction we were able to get feedback on the product.

While this is feedback and not statistical research, we feel it was beneficial to both the direct marketing center and the processor as they consider their product line.

As Ambassador Select Cheese grows and becomes more established we shall focus on being not only a sales outlet to our processors but a consumer information resource as well. Ultimately we would like to establish a panel of preferred customers that we could allow processors to utilize for their product development.

**Wisconsin's Ag Industry Improvement**

Our first contact with prospective customers we keyed in on the quality of the cheese and it's international status. Once contact was made we focussed on the benefit of buying cheese from Wisconsin. As expected, this was not too difficult a sell as WMMB and other promotions have already established the state as a cheese leader.

Interestingly enough, we had many buyers who spend time inquiring about vacation and sight seeing opportunities. Not traditional vacation type stuff. But more of the rural adventure. Many were directed to Wisconsin's 800 number and local chambers of commerce.

## **Evaluation of the Results**

Total Sales for a period of 3 months was \$13, 016.73. This accounted for approximately 600 packages that went out during this 3 month period. Sales dropped off dramatically after the holiday season. This was expected. We believe it will be some time before we can flatten the Christmas Surge curve. This remains a priority, as it will be the most beneficial to processors. Christmas remains their traditional peak season. The Direct Market Center will work to provide additional business opportunities in their "off" season.

Attempts to do so in this first season were not entirely successful. Due to the *Big Snow* on the East Coast, it is doubtful if many of our SuperBowl Promotion Mailers were delivered on a timely basis or at all.

Sales were considerably less than we first anticipated when preparing the Grant. However, as a new company established in September of 1995, with promotions officially beginning of October 1995 we feel that the results are respectable and positive enough to confirm the premise of the business.

### **Order Size**

Originally it was thought the order would average around \$15.00 per box.

However, the average cost per box was \$21.69. More importantly the cost per box was significantly higher (\$35.16) for Cheese Lovers ordering for their *own* consumption.

This is where Ambassador Select Cheese benefits really shine. Our commitment to customers is to provide top quality/delicious cheese in generous portions at a fair price. After the first season, 41% of total sales were from Cheese Lovers ordering for themselves.

### **Repeat Order Rate**

While we did not calculate a repeat order rate in our initial expectations..our current rate is higher than "gut" anticipations. For a business that has been established for just 6 months ,18% of our customers that have order more than once.

**Key to establishing this customer loyalty and preference**

Constant promotions - many seem to order each time they get a mailing

Quality Cheese - personal phone calls and Thank-you notes upon receipt of the cheese indicate the quality of the cheese/service is meeting and exceeding customer expectations.

Fair Pricing - With the Cheese Lover pricing was not an issue. Reaction to shipping and handling prices varied depending on whether the customer was use to purchasing mail order.

Guaranteed - Ambassador Select Cheese stood behind *all* orders. When problems occurred due to shipping or customer situation we replaced the product without exception. More often than not this resulted in Thank-you cards and repeat orders. All an important part of building customer loyalty.

Quality Service - remembering names and product preference. Providing serving tips and ideas. Referring to previous orders in helping recommend new selections.

## **Information/Educational Materials**

The majority of the information generated by the Direct Marketing Center was promotional in nature:

- \* Feature Articles
- \* Cheese Catalog/Mailer
- \* Advertisements
- \* Coupons
- \* Christmas Promo
- \* Corporate Gift Promo
- \* SuperBowl Promo
- \* Cheese Club Promo
- \* Serving Selections ( Recipe Cards)
- \* Cheeseasy Ideas (Serving Tip Cards)
- \* Cover Letters / Gift Box Cheese Profiles

These were all used in an effort to promote and sell more cheese. The information ranged in content from Awards a processor may have earned to tips on how to serve a specialty Cheese.

In addition to these communication efforts and "Operator's Manual" was developed. This was a key element in training employees and providing the customer with consistent and up to date information on everything from Cheese Featured to Next Day Shipping Charges. It also focussed on the level of service an operator was to provide to the customer. We believe it will be a critical tool that will expand as our operation expands and more personnel are involved.



## **FUTURE PROJECTIONS**

Ambassador Select Cheese/The Direct Market Center has great future potential. We are already making changes to meet customer demands. For example a Goat Cheese line and sausage line are in the plans to be included in our next catalog.

Some Important Elements which will affect future sales -

- \* The ability to find cost effective packaging to ship 12 months a year.  
(Extended Low Temp Packaging)
- \* The viability of the World Wide Web as an efficient promotional and communication tool.

Other factors considered in estimating future success -

- \* The probability that cheese prices will increase.
- \* The certainty that shipping costs will increase.
- \* Target customers are a growing demographic (as baby boomers reach "silver"years)
- \* Dollars spent per order larger than originally anticipate.

We believe it probable that the business will continue to grow and reach the initially projected sales level of \$100,000 to \$200,000 in sales within the next 3 to 5 years.

## **Other Information**

As many of the Grant dollars were spent in aiding promotional efforts, we feel it prudent to share the results of these efforts.

\* The cost for a small classified Ad (approx \$2500) was the same as the cost of a 5000 unit mailing by the time cost of the brochure, postage and list purchase was figured. This did not included the labor costs to stuff and sort the mailing.

\* The industry standard for mailing response rate is ~~4~~.5 of 1%. Our response rate was slightly higher at .7 of 1%. While a flashier presentation (Our budget limited us to a 2 color catalog) may generate a slightly higher response rate. Regardless of format..competing for attention with todays bulk mail is challenging.

\* The ads provided us with names to add to our mailing list. And out of the people that responded to the ad..a good percent became customers. When purchasing a mailing list you get one time usage rights...and are not allowed to add customers to your mailing list till they respond to your catalog.

\* Out of the 5 mailing lists purchased..one was much more beneficial. It is our belief that this is because they are more "like" Ambassador Select Cheese in the following ways. - Fairly modest in size and promotions. Their customers were more likely to take the 'risk' and buy from a company they had not heard from or of before. Other lists like Omaha Steak and Wolfermans provided complimentary products but their customer list was defined in hundreds of thousands instead of thousands.

Conclusion: If you are small try and buy a list from a company offering similar type products (in our case food mail order) with a similar company profile.

\* It is expected that once a mail order business is established they will offer their "customer list" to other list purchasers. This reciprocal relationship is expected and necessary if one wishes to continue purchasing competitive/complimentary lists. Obviously this is an issue we do not have to immediately deal with due to our size and tenure.

